

# FEDERAL RESERVE BOARD

259

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO  
THE FEDERAL RESERVE BOARD

X-3688

April 7, 1923.

SUBJECT: Rules governing examinations of State member banks.

Dear Sir:

It appears that some of the Federal Reserve Banks are making examinations of State member banks without assessing the costs thereof against the banks examined as required by the terms of Sections 9 and 21 of the Federal Reserve Act, and the Federal Reserve Board feels that this practice should be discontinued. After careful consideration of the questions of policy and law involved, and the varying practices of the different Federal Reserve Banks, the Board has adopted the following rules to govern the examination of State member banks by all Federal Reserve Banks, effective on and after May 1, 1923:

1. Whenever the directors of a Federal Reserve Bank shall approve the examinations made by the State authorities, such examinations and the reports thereof may be accepted by the Federal Reserve Bank in lieu of their own examinations; and in such cases no costs may be assessed against the member bank by the Federal Reserve Bank.

2. Federal Reserve Banks may make their own examinations of State member banks whenever they consider it necessary to do so, and the expenses of all such examinations must be assessed against the banks examined.

3. Whenever it is necessary, a Federal Reserve Bank may, if convenient, on request of the State banking authorities, furnish examiners and assistants to assist them in the conduct of their examination of a member State bank and shall require reimbursement by the State authorities for the services and expenses of all examiners and assistants so furnished.

4. There are certain kinds of independent investigations or inquiries which a Federal Reserve Bank may usefully and properly make of member banks which would not constitute examinations within the meaning of the Federal Reserve Act and the costs of which, therefore, need not be assessed against the bank examined; to-wit: investigations of member banks with branches for the purpose of finding out the nature of the organization and the extent of coordination between the head office and branches, and inquiries with respect to "discounts, advancements and accommodations" which have been extended

to or applied for by any member bank.

5. On the other hand, any general investigation of a member bank by a Federal Reserve Bank for the purpose of determining: (1) the solvency of the member bank, or (2) the general lines of credit which are being extended by it, should be deemed to constitute an examination within the meaning of the Federal Reserve Act and the costs thereof must be assessed against the member bank.

The Board will expect the Federal Reserve Agents to see that these rules are strictly complied with by their respective Federal Reserve Banks, both in letter and in spirit.

By order of the Federal Reserve Board.

Very truly yours,

Wm. W. Hoxton,  
Secretary.

TO ALL FEDERAL RESERVE AGENTS.